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Independent Auditors' Report

To the Board of Commissioners
East Central Michigan Planning and
Development Regional Commission
Saginaw, Michigan

We have audited the accompanying general purpose financial statements of East Central Michigan Planning and Development Regional Commission as of September 30, 2004, and for the year then ended. These general purpose financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of East Central Michigan Planning and Development Regional Commission as of September 30, 2004, and the results of its operations and its cash flows of proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

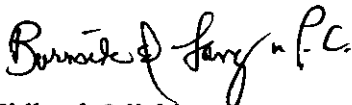
As described in Note 10, the Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of September 30, 2004.

To the Board of Commissioners
East Central Michigan Planning and
Development Regional Commission
Page 2

The accompanying general purpose financial statements have been prepared assuming that the East Central Michigan Planning and Development Regional Commission will continue as a going concern. As discussed in Note 16 to the general purpose financial statements, the Commission's general fund is in a deficit condition. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 16. The general purpose financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2006, on our consideration of East Central Michigan Planning and Development Regional Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of East Central Michigan Planning and Development Regional Commission. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Midland, Michigan
April 26, 2006

EAST CENTRAL MICHIGAN PLANNING AND DEVELOPMENT REGIONAL COMMISSION
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2004

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 388,296
Notes receivable	140,955
Due from other governmental units	64,796
Prepaid expenses	4,278
Capital assets:	
Furniture and equipment, net	9,465
Total assets	607,790
LIABILITIES	
Accounts payable	60,058
Accrued expenses	82,114
Deferred revenue	170,200
Long-term liabilities:	
Portion due or payable within one year:	
Bonds and notes payable	15,541
Portion due or payable after one year:	
Bonds and notes payable	11,603
Compensated absences	15,247
Total liabilities	354,763
NET ASSETS	
Invested in capital assets, net of related debt	6,627
Restricted	369,056
Unrestricted	(122,656)
Total net assets	\$ 253,027

The accompanying notes are an integral part of these financial statements.

EAST CENTRAL MICHIGAN PLANNING AND DEVELOPMENT REGIONAL COMMISSION
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004

Activities:	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
General Government:				
Commission activities	\$ 29,156	\$ -	\$ 75,840	\$ -
Revolving loan activities	20,466	-	310,552	-
Planning activities	381,059	-	-	-
Total governmental activities	\$ 430,681	\$ -	\$ 386,392	\$ -
General revenues:				
Loan reimbursements				20,096
Interest earnings				15,288
Miscellaneous				28,060
Total general revenues				63,444
Change in net assets				19,155
Net assets-beginning				233,872
Net assets-ending				\$ 253,027

EAST CENTRAL MICHIGAN PLANNING AND DEVELOPMENT REGIONAL COMMISSION
GOVERNMENTAL FUND BALANCE SHEET
September 30, 2004

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Totals (Memorandum Only)</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 388,296	\$ 388,296
Due from other governmental units	2,203	62,593	64,796
Due from other funds	57,527	29,245	86,772
Notes receivable	-	140,955	140,955
Total assets	<u>\$ 59,730</u>	<u>\$ 621,089</u>	<u>\$ 680,819</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 60,058	\$ -	\$ 60,058
Accrued expenses	82,114	-	82,114
Due to other funds	4,939	81,833	86,772
Deferred revenue	-	170,200	170,200
Total Liabilities	<u>147,111</u>	<u>252,033</u>	<u>399,144</u>
Fund Equity (Deficit)			
Fund balance	<u>(87,381)</u>	<u>369,056</u>	<u>281,675</u>
Total liabilities and fund equity	<u>\$ 59,730</u>	<u>\$ 621,089</u>	<u>\$ 680,819</u>

The accompanying notes are an integral part of the financial statements.

EAST CENTRAL MICHIGAN PLANNING AND DEVELOPMENT REGIONAL COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
September 30, 2004

Total fund balances for governmental funds (Exhibit 3)	\$ 281,675
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Total net assets reported for governmental activities in the statement of net assets is different because:

Prepaid expenses - rent deposit	\$ 4,278
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Equipment and furniture, net of \$66,389 accumulated depreciation	9,465
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	<u>13,743</u>
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Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Balances at September 30, 2004 are:

Notes Payable	\$ (27,144)
Compensated absences	<u>(15,247)</u>

	<u>(42,391)</u>
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Total net assets of governmental activities (Exhibit 2)	<u><u>\$ 253,027</u></u>
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The accompanying notes are an integral part of these financial statements.

**EAST CENTRAL MICHIGAN PLANNING AND DEVELOPMENT REGIONAL COMMISSION STATEMENT
OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUND TYPES
For The Year Ended September 30, 2004**

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
REVENUE			
State and federal grants	\$ -	\$ 310,552	\$ 310,552
Local contributions	75,840	-	75,840
Interest income	73	15,215	15,288
Loan reimbursements	-	20,096	20,096
Miscellaneous revenue	17,375	10,685	28,060
Total Revenues	93,288	356,548	449,836
EXPENDITURES			
General commission activities	22,008	-	22,008
Revolving loan activity	16,268	18,569	34,837
Capital outlays	869	-	869
Debt service			
Principal	14,371	-	14,371
Interest	2,046	-	2,046
Planning activity	-	368,497	368,497
Total Expenditures	55,562	387,066	442,628
Excess (deficiency) of revenues over expenditures	37,726	(30,518)	7,208
Other financing sources (uses)			
Transfers from other funds	-	47,764	47,764
Transfers to other funds	(47,764)	-	(47,764)
Total other financing sources (uses)	(47,764)	47,764	-
Excess (deficiency) of revenues and other financing sources over expenditure:	(10,038)	17,246	7,208
Residual equity transfer -			
Previous internal service fund	40,595	-	40,595
Fund Balance at the Beginning of the Year	(117,938)	351,810	233,872
FUND BALANCE AT THE END OF THE YEAR	\$ (87,381)	\$ 369,056	\$ 281,675

The accompanying notes are an integral part of the financial statements.

**EAST CENTRAL MICHIGAN PLANNING AND DEVELOPMENT REGIONAL COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	7,208
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$869) exceeded depreciation (\$2,678) in the current period.		(1,809)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Compensated absences		(615)
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Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

Notes payable		14,371
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Change in net assets of governmental activities (Exhibit 3)	\$	19,155
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The accompanying notes are an integral part of these financial statements.

**EAST CENTRAL MICHIGAN PLANNING
AND DEVELOPMENT REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the East Central Michigan Planning and Development Regional Commission (the "Commission") conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Commission:

A. Reporting Entity

The East Central Michigan Planning and Development Regional Commission is an instrument of local government formed under P.A. 281 of 1945 by a local agreement among fourteen counties and one Indian tribe.

The Commission was formed to provide services to encourage economic development within the East Central Michigan region and to work for the general betterment and improvement of this area. The region includes the counties of Arenac, Bay, Clare, Gladwin, Gratiot, Huron, Iosco, Isabella, Midland, Ogemaw, Roscommon, Saginaw, Sanilac, and Tuscola, and the Saginaw Chippewa Indian Tribe.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**EAST CENTRAL MICHIGAN PLANNING
AND DEVELOPMENT REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The government reports the following major funds:

General Fund - This fund is used to account for all financial resources except those provided for in another fund. The fund includes General Commission Activities, Planning Contracts, Certified Development Corporation Costs and Revolving Loans.

Special Revenue Funds - These funds are used to account for specific revenue sources generally derived from Federal and State grants, which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements. These funds include the Economic Development Authority, the Michigan Department of Transportation, and the Watershed Initiative Network grants, and the Revolving Loan Fund.

D. Assets, Liabilities, and Net Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and certificates of deposit with banks and cash on hand.

Property and Equipment

Property and equipment is stated at historical cost and recognized in the Indirect Cost Fund. Depreciation is recorded over the asset's estimated useful lives, (from 5-10 years) using the straight-line method.

Deferred Revenue

Deferred revenue represents amounts such as grants received before the expenditure is incurred and outstanding notes receivable.

**EAST CENTRAL MICHIGAN PLANNING
AND DEVELOPMENT REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

D. Assets, Liabilities, and Net Assets Cont'd

Total Column on Combined Statements

The total column on the combined statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because inter-fund eliminations have not been made in the aggregation of this data.

Receivables

All receivables are shown net of allowance for uncollectible accounts, if any.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net assets. Capital assets are defined by their government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Furniture & Equipment	5-10 years
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Fund Balance

The Commission reports reservations of its fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances are defined as commitments related to unperformed contracts for goods or services. The Commission does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

**EAST CENTRAL MICHIGAN PLANNING
AND DEVELOPMENT REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

D. Assets, Liabilities, and Net Assets Cont'd

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is at the fund level. During the period, the Commission operated within its approved budget.

NOTE 3. DEPOSITS AND CASH EQUIVALENTS

Act 217, PA 1982, authorizes the Commission to deposit and invest in:

- a) Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States. This subdivision shall include securities issued or guaranteed by the Government National Mortgage Association.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, or a credit union which is insured by the National Credit Union Administration, that are eligible to be a depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c) Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50 percent of any fund may be invested in commercial paper at any time.

**EAST CENTRAL MICHIGAN PLANNING
AND DEVELOPMENT REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 3. DEPOSITS AND CASH EQUIVALENTS CONT'D

- d) United States Government or Federal agency obligation repurchase agreements.
- e) Bankers' acceptances of United States banks.
- f) Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Commission's investments are in accordance with statutory authority.

At September 30, 2004, the Commission's deposits and investments were reported in the basic financial statements in the following categories:

	General Fund	Special Revenue Funds	Total
Cash and cash equivalents	\$ -	\$ 388,296	\$ 388,296

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At September 30, 2004, the Commission had \$237,796 of bank deposits (certificates of deposit, checking and savings accounts), of which \$87,296 were potentially uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that East Central Michigan Planning and Development Regional Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2004, the Commission had no investments.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Commission's current investments have no potential interest rate risk.

**EAST CENTRAL MICHIGAN PLANNING
AND DEVELOPMENT REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Commission for the period ending September 30, 2004 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Furniture & Equipment	\$ 74,985	\$ 869	\$ -	\$ 75,854
Less Accumulated Depreciation for Furniture & Equipment	(63,711)	(2,678)	-	(66,389)
Net	<u>\$ 11,274</u>	<u>\$ (1,809)</u>	<u>\$ -</u>	<u>\$ 9,465</u>

NOTE 5. OPERATING LEASES

The Commission's entered into a building lease on December 1, 1999, which expires on November 30, 2004. The lease requires monthly installments of \$2,066. The lease agreement provides for yearly increases of the monthly payments, not to exceed \$125 per month.

Future minimum lease payments for the next year are as follows:

<u>Year ending 9/30</u>	<u>Amount</u>
2005	<u>\$ 4,647</u>

Lease expense for fiscal year 2004 was \$27,749.

**EAST CENTRAL MICHIGAN PLANNING
AND DEVELOPMENT REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6. LONG-TERM DEBT

A schedule of long-term debt at September 30, 2004, and changes therein, are summarized as follows:

	Balance 10/01/03	Additions (Reductions)	Balance 9/30/04
Citizens Bank loan dated September 9, 2002 in the amount of \$8,000; monthly payments of \$246, final payment due September 9, 2005; interest rate of 6.5%	\$ 5,505	\$ (2,667)	\$ 2,838
Citizens Bank loan dated August 22, 2003 in the amount of \$37,055; monthly payments of \$1,128; final payment due August 22, 2006; interest rate of 6.00%	36,010	(11,704)	24,306
	<u>\$ 41,515</u>	<u>\$ (14,371)</u>	<u>\$ 27,144</u>

NOTE 7. RISK MANAGEMENT

East Central Michigan Planning and Development Regional Commission is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The Commission has purchased commercial insurance for workers' compensation and medical benefits. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, which uses them to pay claims up to the retention limits, the ultimate liability for those claims remains with the Commission.

**EAST CENTRAL MICHIGAN PLANNING
AND DEVELOPMENT REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 8. PENSION PLAN

The Commission provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Commission contributes (3%) percent of employee gross earnings and employees contribute (3%) percent of earnings.

The Commission incurred costs of \$3,271 during the current year and employees contributed \$3,271.

NOTE 9. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

As of and for the year ended September 30, 2004, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

NOTE 10. CONTINGENT LIABILITIES

Under the terms of various State and Federal grants, periodic audits are required and certain costs may be questioned as not representing appropriate expenditures under the terms of those grants. Such audits could lead to reimbursement to the grantor agencies. Commission management believes such disallowances, if any, would be minimal.

NOTE 11. ACCUMULATED FUND DEFICIT

The Commission's General Fund has an accumulated deficit of \$87,381. Public Act 275 of 1980 requires that the Commission file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. The Commission filed a deficit elimination plan for the previous fiscal which has been accepted by the Michigan Department of Treasury. The plan calls for elimination of the fund deficit by September 30, 2005. Deficit was decreased by only \$30,557 in this fiscal year.

**EAST CENTRAL MICHIGAN PLANNING
AND DEVELOPMENT REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 12. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. All budgeted appropriations lapse at year end.

In the body of the financial statements, the Commission's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis.

During the year ended September 30, 2004, there were expenditures in excess of the amount appropriated as follows:

Fund/ Activity	Budget	Actual	Variance
General/ Transfers	\$ -	\$ 5,505	\$ 5,505
Revolving Loan	27,959	34,837	6,878

NOTE 13. INTER-FUND RECEIVABLES AND PAYABLES

The amounts of the inter-fund receivables and payables for the primary government are as follows:

Fund	Inter-fund Receivables	Fund	Inter-fund Payables
General	\$ 57,527	General	\$ 4,939
MDOT		MDOT	
Ridesharing	2,071	Ridesharing	2,500
Other Projects	27,174	Other Projects	34,988
		Revolving Fund	19,240
		MDOT Asset Mgmt.	25,105
	<u>\$ 86,772</u>		<u>\$ 86,772</u>

**EAST CENTRAL MICHIGAN PLANNING
AND DEVELOPMENT REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 14. LOCAL CONTRIBUTIONS DETAIL

Local contributions for the year ended September 30, 2004, consisted of amounts received or due from the following counties and organizations:

Arenac	\$ 3,150
Bay - City of Pinconning	531
Clare	5,500
Gladwin	5,000
Gratiot	5,300
Huron	9,250
Iosco	6,100
Isabella	8,100
Midland	20,300
Ogemaw	4,700
Roscommon	7,500
Saginaw - Carrollton Township	485
Sanilac	8,900
Tuscola - Vassar	301
	<hr/>
	\$ 84,817
	<hr/>

NOTE 15. NOTES RECEIVABLE

The Commission administers a United States Department of Commerce, Economic Development Administration and Michigan Certified Development Corporation Revolving Loan Plan for businesses in Bay and Saginaw Counties. The initial duration of current notes ranges from 60 months to 180 months, with interest rates ranging from 7% to 10%.

**EAST CENTRAL MICHIGAN PLANNING
AND DEVELOPMENT REGIONAL COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 15. NOTES RECEIVABLE CONT'D

Note receivable activity is summarized as follows:

	Balance 10/01/03	New Loans	Repayments	Balance 9/30/04
Notes Receivable	\$ 161,051	\$ 0	\$ (20,096)	\$ 140,955

Scheduled principal maturities of notes receivable for years subsequent to September 30, 2004, are as follows:

Year ending September 30, 2005	\$ 22,059
2006	19,957
2007	7,817
2008	7,342
2009	7,874
Thereafter	75,906
	<u>\$ 140,955</u>

NOTE 16. GOING CONCERN

As shown in the accompanying financial statements, the Commission's General Fund incurred an increase of \$30,557 during the year ended September 30, 2004, and as of that date, the General Fund's current liabilities still exceeded its current assets by \$87,381. These factors, as well as the uncertain conditions that the Commission faces regarding receipt of monies from various funding agencies create an uncertainty about the Commission's ability to continue as a going concern. Management of the Commission is developing a plan to reduce its liabilities through temporarily suspending employee activities that have traditionally benefited the Commission as a whole; substantially increasing fees charged for local planning contracts while remaining in compliance with the agency's enabling legislation; and the investigation of potential reductions in employee benefits and staffing. The ability of the Commission to continue as a going concern is dependent on acceptance of the plan by the officers of the Commission. The financial statements do not include any adjustments that might be necessary if the Commission is unable to continue as a going concern.

EAST CENTRAL MICHIGAN PLANNING AND DEVELOPMENT REGIONAL COMMISSION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended September 30, 2004

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget (Un)favorable
REVENUE				
Other grants and contributions	\$ 86,584	\$ 86,584	\$ 75,840	\$ (10,744)
Interest income	-	-	73	73
Miscellaneous revenue	2,500	2,500	17,375	14,875
Total Revenues	89,084	89,084	93,288	4,204
EXPENDITURES				
General commission activities	69,502	69,502	22,008	47,494
Revolving loan activity	11,359	11,359	16,268	(4,909)
Capital outlays	-	-	869	(869)
Debt service				
Principal	-	-	14,371	(14,371)
Interest	-	-	2,046	(2,046)
Total Expenditures	80,861	80,861	55,562	25,299
Excess (deficiency) of revenues over expenditures	8,223	8,223	37,726	29,503
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	(18,417)	(18,417)	(47,764)	(29,347)
Total other financing sources (uses)	(18,417)	(18,417)	(47,764)	(29,347)
Excess (deficiency) of revenues and other financing sources over expenditures	(10,194)	(10,194)	(10,038)	156
Residual equity transfer - Prior internal service fund	-	-	40,595	40,595
Fund Balance at the Beginning of the Year	(117,938)	(117,938)	(117,938)	-
FUND BALANCE AT THE END OF THE YEAR	\$ (128,132)	\$ (128,132)	\$ (87,381)	\$ 40,751

EAST CENTRAL MICHIGAN PLANNING AND DEVELOPMENT REGIONAL COMMISSION
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
September 30, 2004

	ASSETS							LIABILITIES AND FUND EQUITY			
	EDA - District Continuation Planning Grant Fund	MDOT - Regional Transportation Planning Program Grant Fund	MDOT - Local Ride-sharing Program Grant Fund	MDOT - US 23 Heritage Route Coordination Grant Fund	MDOT - Asset Management Grant Fund	Other Projects Fund	East Central Michigan - Revolving Loan Fund	Totals			
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 388,296	\$ 388,296	\$		\$ 388,296
Due from other governmental units	-	-	2,500	-	25,105	34,988	-	-			62,593
Due from other funds	-	-	2,071	-	-	27,174	-	-			29,245
Notes receivable	-	-	-	-	-	-	140,955	-			140,955
Total assets	\$ -	\$ -	\$ 4,571	\$ -	\$ 25,105	\$ 62,162	\$ 529,251	\$	\$	\$	\$ 621,089
LIABILITIES AND FUND EQUITY											
Liabilities											
Due to other funds	\$ -	\$ -	\$ 2,500	\$ -	\$ 25,105	\$ 34,988	\$ 19,240	\$		\$	\$ 81,833
Deferred revenue	-	-	2,071	-	-	27,174	140,955	-			170,200
Total Liabilities	-	-	4,571	-	25,105	62,162	160,195	-	-	-	252,033
Fund Equity											
Fund balance	-	-	-	-	-	-	388,056	-			388,056
Total liabilities and fund equity	\$ -	\$ -	\$ 4,571	\$ -	\$ 25,106	\$ 82,162	\$ 529,251	\$	\$	\$	\$ 621,089

EAST CENTRAL MICHIGAN PLANNING AND DEVELOPMENT REGIONAL COMMISSION
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - SPECIAL REVENUE FUNDS
For The Year Ended September 30, 2004

	EDA - District Continuation Planning Grant Fund	MDOT - Regional Transportation Planning Program Grant Fund	MDOT - Local Ridesharing Program Grant Fund	MDOT - US 23 Heritage Route Coordination Grant Fund	MDOT - Asset Management Grant Fund	MDOT - Access Management Grant Fund	Hazard Mitigations	Other Projects Fund	East Central Michigan - Revolving Loan Fund	Totals
REVENUE										
State and federal grants	\$ 52,814	\$ 39,451	\$ 27,833	\$ 2,586	\$ 62,395	\$ 8,662	\$ 96,441	\$ 370	\$ -	\$ 310,552
Interest income	-	-	-	-	-	-	-	-	15,215	15,215
Loan reimbursements	-	-	-	-	-	-	-	-	20,086	20,086
Miscellaneous revenue	-	-	-	-	4,161	-	-	6,020	504	10,885
Total Revenue	52,814	39,451	27,833	2,586	66,556	8,662	96,441	6,390	35,815	356,548
EXPENDITURES										
Salaries, payroll taxes and benefits	55,415	32,043	20,194	1,928	61,895	8,481	72,170	2,527	-	252,653
Agency membership	250	100	-	-	-	-	-	-	-	350
Outside services	6,329	-	-	-	-	-	-	3,000	-	11,329
Office expense	319	61	41	6	100	-	113	162	-	802
Printing and publications	240	-	-	-	-	-	-	137	-	377
Telephone	71	-	-	3	89	-	64	35	-	262
RLF development loans	-	71	-	-	-	-	-	-	-	71
Travel	1,893	641	369	-	16,713	167	1,680	142	-	21,585
Miscellaneous	1,486	-	952	50	-	-	-	44	-	21,101
Indirect costs	17,228	9,961	6,277	599	19,240	2,014	22,434	785	18,569	76,536
Total Expenditures	65,229	42,877	27,833	2,586	98,037	6,662	96,441	6,832	18,569	387,066
Excess (deficiency) of revenues over expenditures	(32,415)	(3,426)	-	-	(11,481)	-	-	(442)	17,246	(30,518)
OTHER FINANCING SOURCES (USES)										
Transfers-in	32,415	3,426	-	-	11,481	-	-	442	-	47,764
Excess of revenues and other financing sources over expenditures	-	-	-	-	-	-	-	-	17,246	17,246
Fund Balance at the Beginning of the Year	-	-	-	-	-	-	-	-	351,810	351,810
FUND BALANCE AT THE END OF THE YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 369,056	\$ 369,056

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Commissioners
East Central Michigan Planning and
Development Regional Commission
Saginaw, Michigan

We have audited the general purpose financial statements of the East Central Michigan Planning and Development Regional Commission ("the Commission"), as of and for the year ended September 30, 2004, and have issued our report thereon dated April 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

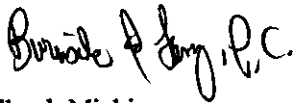
As part of obtaining reasonable assurance about whether the Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Commission in the accompanying Schedule of Findings and Questioned Costs as items 2004-4 and 2004-5.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2004-1, 2004-2, and 2004-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the management, the board of commissioners, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Midland, Michigan
April 26, 2006

**EAST CENTRAL MICHIGAN PLANNING AND DEVELOPMENT
REGIONAL COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Section I—Financial Statement Findings

REPORTABLE CONDITIONS

Interim Financial Statements

Finding 2004-1

Condition: We found that management has not provided regular, periodic financial reports to Commissioners with oversight responsibility since it terminated the services of its monthly fee accountant.

Criteria: Individuals with oversight responsibility must receive regular financial reports to make informed decisions regarding the operations of the Commission.

Recommendation: We recommend, at a minimum, the Administrative Assistant prepare a balance sheet and a statement of revenue and expenditures compared to budget, and provide these reports to Commissioners with oversight responsibility by the 15th day of the following month.

- **Contact Person**
Sue Fortune, Executive Director and Lynne Parker, Administrative Assistant
Phone (989) 797-0800
- **Corrective Action Plan**
Administrative Assistant will prepare these reports monthly and the Executive Director will review them for accuracy before mailing them to Commission members with oversight responsibility.
- **Completion Date**
Immediate

Payroll Tax Remittances

Finding 2004-2

Condition: As of September 30, 2004 the Commission owed \$66,389 in federal payroll taxes, interest and penalties. Additionally, the Commission has not paid \$1,750 in state income tax withholding and \$369 in city income tax withholding.

**EAST CENTRAL MICHIGAN PLANNING AND DEVELOPMENT
REGIONAL COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Section I--Financial Statement Findings (Continued)

Criteria: Federal, state and local laws require proper remittance of payroll taxes.

Recommendation: The Executive Director has contacted the IRS and the Commission has arranged for additional time to make the required payments; if it cannot, the IRS will establish a payment plan for the Commission. Additionally, the Commission must file a deficit elimination plan with the State of Michigan. Repayment of these federal, state, and local payroll taxes should be specifically identified in this plan.

- Contact Person
Sue Fortune, Executive Director, Phone (989) 797-0800
- Corrective Action Plan
Follow guidance provided by the IRS and the approved deficit elimination plan.
- Completion Date
As outlined in the approved deficit elimination plan.

Pension Plan Remittances

Finding 2004-3

Condition: As of September 30, 2004 the Commission owed \$10,295 to its pension plan provider. This amount represents the pension liability related to the last twelve (24) payrolls for the years ended September 30, 2003 & 04.

Criteria: Federal laws require that employers make timely payment of pension obligations.

Recommendation: The Commission must file a deficit elimination plan with the State of Michigan. Repayment of this pension obligation should be specifically identified in this plan.

- Contact Person
Sue Fortune, Executive Director, Phone (989) 797-0800
- Corrective Action Plan
Follow payment plan established in the approved deficit elimination plan.
- Completion Date
As outlined in the approved deficit elimination plan.

**EAST CENTRAL MICHIGAN PLANNING AND DEVELOPMENT
REGIONAL COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Section II-Compliance Findings

Deficit Fund Balance

Finding 2004-4

Condition: A deficit of \$87,381 in the Commission's General Fund existed at September 30, 2004.

Criteria: Public Act 275 of 1980 requires the Commission to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. The Commission has not filed the required plan.

Recommendation: We recommend the Commission file the required deficit elimination plan with the Michigan Department of Treasury, that includes the items listed above.

- Contact Person
Sue Fortune, Executive Director, Phone (989) 797-0800
- Corrective Action Plan
A plan will be developed by the Executive Director, presented to the Commission Board for their approval, and filed with the Department of Treasury.
- Completion Date
Immediate

Budget Violations

Finding 2004-5

Condition: The annual budget is prepared by the Executive Director and adopted by the Board of Commissioners; the Board of Commissioners approve subsequent amendments. The budget includes a general fund, special revenue funds to account for reimbursement type grants that use provisional indirect cost rates for benefits and overhead costs, and internal service funds to account for the benefit and overhead costs. Transfers were made from the general fund to cover excess charges to various special revenue or grant funds. The excess charges and transfers were not budgeted for in these funds.

Criteria: Public Act 621 of 1978, as amended, requires the adoption of a budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

**EAST CENTRAL MICHIGAN PLANNING AND DEVELOPMENT
REGIONAL COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Section II-Compliance Findings (Continued)

Recommendation: We recommend that all necessary amendments to the various budgets be made to comply with the requirements of Public Act 621 of 1978.

- **Contact Person**
Sue Fortune, Executive Director, Phone (989) 797-0800
- **Corrective Action Plan**
The Executive Director will review the monthly revenue and expenditure report prepared by the Administrative Assistant to determine compliance with the budget. From this review, the Executive Director will prepare for the Commission's approval any appropriate budget amendments as deemed necessary.
- **Completion Date**
Immediate